FACING DOWN YOUR PROPERTY DEBT...

The reasons behind the recent global economic collapse have been well documented and are too numerous for any one article to ever address. A constant criticism levelled at the banks was the length of time it took them to truly own up to the scale of their problems - this has no doubt contributed to extending the length of this economic downturn.

Ajay Sharma, CD Fairfield Capital

It is accepted that an economy can't really start to recover and grow strongly without healthy functioning banks willing to extend credit into the economy (and healthy citizens in a position to avail of it).

We all know the Banks have been bailed out at a massive cost to each and every taxpayer. The global and local banking systems have been stabilised, banks recapitalised and regulatory requirements changed ensuring that banks have had to not only restore but significantly increase their capital buffers. Internally, the banks have had to adjust to the significant drop (collapse) in revenue and try and adjust their cost base (i.e. staff redundancies/ branch closures/reduced services) with a view to becoming profitable enterprises once again...lucky them, no-one should forget that they have been allowed to survive and heal because the debt burden was shifted (like it or not) on to the taxpayer.

So what about the banks' clients, who is going to bail them out? We're not talking about the people who borrowed money recklessly or businesses that fail because of normal business principles - we mean the average couple who bought their house and are now trapped in a situation of negative equity... that's 1 in 4 houses in Northern Ireland by the way...at a time when wages remain static at best, the jobs market volatile and inflation persistent - the cost of everything just keeps rising.

For almost all of us, our mortgage represents the largest debt burden of our lives. Our credit card balances, hire purchase agreements and other unsecured loans pale into insignificance against the size of our mortgage debt and monthly repayments.

The politicians, who run the banks now on our behalf, constantly demand that banks are sympathetic to their customers - a difficulty for the banks is how to identify which customers to be sympathetic to (and how).

Most of us will do everything in our power to meet our monthly mortgage payments. This is a very admirable trait however what if that is merely delaying the inevitable? Every day, we meet people who are "robbing Peter to pay Paul" - in some cases, this might be just to cover a month or two where they are short but in most cases, the problem isn't going away anytime soon.

Many people are living in a false position, no different from the accusation levelled at the banks over recent years. They are getting by month-by-month for a variety of reasons including;

- Utilising unused credit cards and unsecured loans (door-to-door moneylenders, credit unions etc).
- Family assistance.
- They are on interest-only repayments - without any prospect or means of paying off the principal debt.

Most of these positions are unsustainable and in some cases, people are actually making their long-term financial position much worse. Interest rates will not stay at these rock-bottom levels for much longer.

Like the banks had to do (or were forced to do), people need to face up to and deal with this issue. It ultimately boils down to one question per household... is my/our debt(s) affordable? If the answer is yes then okay, carry on with life and repay the bank as agreed. If the answer is no then things are more complicated, however there are a wide array of options available.

The first thing is to engage (directly or via a professional intermediary) with your lender, making them aware of your financial situation. Unless you are in some form of arrears (in which case you have likely already got their attention) then this may be the only way to draw the bank's attention to your plight. It could be that a mutually agreed restructure of some sort (increased term etc.) would solve the problem.

In more distressed circumstances, the sale of the property is usually the most effective method of reducing the mortgage debt. A property sale where the sale proceeds are less than the mortgage debt owing on the property is known as a Shortfall sale - the remaining debt (the shortfall) is still owed to the lender however in most reasonable circumstances, the lender should be open to negotiating some form of shortfall settlement. These tend to be in the form of a lump sum payment (a full & final settlement) or an agreed payment arrangement (an unsecured amount to be repaid over a specific time period).

It is almost always in the lender's interests to deal with its clients in a consensual manner - the property will almost always achieve a higher price than via an enforcement/repossession /auction route with the associated fixed charge receivership costs. The best outcome is usually one that suits all parties to some degree.

CD Fairfield Capital, based in Belfast, specialises in helping people who find themselves in negative equity or are struggling with property-related debts. The company has a Consumer Credit License to provide debt restructuring services and is regulated by the Office of Fair Trading (OFT).

"In our experience, the lending institutions are generally receptive to consensual, transparent & commercial proposals. It makes good business sense for them to take that attitude", adds Ajay Sharma - a director of CD Fairfield Capital.

If you wish to discuss any aspect of the above article then please don't hesitate to contact Ajay at CD Fairfield Capital Limited on 028 9023 6074 or email ajay@cdfairfieldcapital.com at any time.

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Ajay Sharma has over 13 years' experience working in both lending and treasury functions of NI banks. Since leaving banking, Ajay has consulted on debt restructuring, treasury management, interest rate swap mis-selling and investments. He joined the CD Fairfield Capital team in August 2013.